

Message Text

UNCLASSIFIED

PAGE 01 BERN 02592 250813Z

10

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PRS-01 PA-02 L-03 ABF-01 FS-01 SEC-01 TAR-01

/109 W

----- 038816

R 241626Z JUN 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 871

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 2592

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON EFIN SZ

SUBJECT: SWISS ECONOMIC DEVELOPMENTS - WEEK ENDING JUNE 22

REF: STATE 146787 (NOTAL)

1. IN ACCORDANCE WITH DEPARTMENT'S RECOMMENDATION (REFTEL),
INFORMATION ON SWISS FINANCIAL AND ECONOMIC SITUATION PRE-
VIOUSLY PROVIDED IN WEEKLY AIRGRAM WILL HENCEFORTH BE
SUBMITTED BY TELEGRAM. END-USER COMMENTS ON CONTENT
AND FORMAT WOULD BE WELCOME.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 02592 250813Z

2. SUMMARY: FOREIGN EXCHANGE AND GOLD MARKETS QUIET

WITH ONLY MINOR RATE FLUCTUATIONS. LIQUIDITY SITUATION EASY AND INTEREST RATES CONTINUED MOVE LOWER. ALTHOUGH SWISS NATIONAL BANK (SNB) GENERAL MANAGER SCHURMANN SAYS END OF SWISS RECESSION IN SIGHT, ESTIMATES BY GOVERNMENT'S ECONOMIC RESEARCH COMMISSION AND EVIDENCE OF AVAILABLE STATISTICS INDICATE RECESSION NOT YET AT BOTTOM AND UNEMPLOYMENT WILL CONTINUE TO GROW. SNB STUDYING POSSIBILITY OF ELIMINATING NUMBERED BANK ACCOUNTS AND GOS MAY REVIEW WHOLE QUESTION OF BANK SECRECY; BOTH MOVES OPPOSED BY SWISS BANKS.

3. FOREIGN EXCHANGE AND GOLD: BOTH MARKETS QUIET WITH LOW TURNOVER AND ONLY MINOR FLUCTUATION. RATES AS FOLLOWS:

	6/16 (OPEN)	6/20 (CLOSE)
--	-------------	--------------

SPORT DOLLARS	SF 2.4850	SF 2.4895
---------------	-----------	-----------

FORWARD DISCOUNTS (PERCENT P.A.)

ONE MONTH	- 2.7	- 2.6
3 MONTHS	- 2.4	- 2.5
6 MONTHS	- 2.4	- 2.4

GOLD	\$164.00	\$162.00
------	----------	----------

4. MONEY AND CAPITAL MARKETS: CONDITIONS ON MONEY MARKET EASY WITH CALL MONEY RATE UNCHANGED AT NOMINAL 0.5 PERCENT. FOR SECOND TIME THIS MONTH (SEE A-118) MAJOR SWISS BANKS CUT INTEREST RATES ON FIXED-TERM DEPOSITS. EFFECTIVE JUNE 19 RATES ON DEPOSITS OF 3-5 MONTHS REDUCED 0.5 PERCENT TO 3.0 PERCENT AND ON 6-11 MONTHS DEPOSITS CUT BY 0.25 PERCENT TO 4.0 PERCENT. RATE FOR ONE-YEAR DEPOSITS UNCHANGED AT 5.5 PERCENT. AVERAGE STOCK PRICES MOVED LOWER IN MODERATE TRADING AS SKA INDEX FELL FROM 185.6 (END 1959 EQUALS 100) ON JUNE 13 TO 181.9 ON JUNE 20. MEDIAN YIELD ON OUTSTANDING CONFEDERATION BONDS ALSO LOWER FROM 6.60 PERCENT JUNE 13 TO 6.56 PERCENT JUNE 20.

5. ECONOMIC FORECASTS: SPEAKING BEFORE ZURICH CHAMBER OF COMMERCE, SNB GENERAL MANAGER LEO SCHURMANN STATED END UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 02592 250813Z

OF SWITZERLAND'S RECESSION IN SIGHT. DOMESTIC DEMAND HAS STARTED TO RISE, AS INDICATED BY NEW BUILDING CREDITS, INCREASED VOLUME OF BANK LENDING, AND HIGHER RETAIL SALES IN CERTAIN SECTORS. FALLING INTEREST RATES PROMOTING INVESTMENT, AND PUBLIC SECTOR SPENDING WILL STIMULATE BUSINESS ACTIVITY. EXPORT DEMAND ALSO REVIVING AND RECENT MEASURES BY GOS AND SNB TO PROMOTE EXPORT FINANCING SHOULD REDUCE SECTORAL DIFFICULTIES. GOVERNMENT'S ECONOMIC RESEARCH

COMMISSION LESS OPTIMISTIC, HOWEVER, AND PREDICTS RECESSION WILL GET WORSE UNTIL END OF YEAR. COMMISSION EXPECTS GNP WILL CONTINUE DECLINE FOR NEXT SEVERAL MONTHS, NUMBER OF PEOPLE UNEMPLOYED AND WORKING SHORT TIME WILL INCREASE, AND MORE FOREIGN WORKERS WILL HAVE TO LEAVE COUNTRY. COMMISSION DRAWS PARTICULAR ATTENTION TO SHARP FALL IN BUILDING VOLUME AND SLACKENING DEMAND FOR CAPITAL GOODS, BUT NOTES INFLATIONARY PRESSURES APPEAR BE SUBSIDING.

6. INDICATORS: INDEX OF INDUSTRIAL PRODUCTION FOR FIRST QUARTER 1975 WAS 18.4 PERCENT BELOW SAME PERIOD 1974. SWISS CLOTHING INDUSTRY NOW OPERATING AT 70 PERCENT OF CAPACITY. DURING 1975 APPROXIMATELY 800 EMPLOYEES LAID OFF AND ONE-FOURTH REMAINING WORKERS ON SHORT TIME. MAY 1975 AUTO SALES WERE 18.8 PERCENT BELOW PREVIOUS MAY. WHILE WATCH EXPORTS DOWN 25.8 PERCENT. GLOBAL WATCH EXPORTS IN JAN-MAY PERIOD DOWN 17.6 PERCENT WHILE EXPORTS TO US OFF 51 PERCENT.

7. UNEMPLOYMENT: AT END OF MAY, 6,527 PERSONS REGISTERED AS UNEMPLOYED WITH CANTONAL LABOR OFFICES WHICH IS 866 MORE THAN IN APRIL AND REPRESENTS ABOUT 0.2 PERCENT OF SWISS WORK FORCE. HOWEVER, ONLY 20 PERCENT OF LABOR FORCE COVERED BY UNEMPLOYMENT INSURANCE AND MANY SWISS WORKERS NOT ACCUSTOMED TO USING LABOR OFFICE TO FIND WORK. THUS OFFICIAL STATISTICS UNDERESTIMATE ACTUAL NUMBER OF UNEMPLOYED. STATISTICS ALSO TAKE NO ACCOUNT OF FOREIGN WORKERS WHO LOSE JOBS AND LEAVE SWITZERLAND. IN ADDITION, UNIONS ESTIMATES THAT 100,000 PEOPLE WORKING SHORT TIME.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BERN 02592 250813Z

8. FOREIGN TRADE: AS SHOWN BELOW, SWISS FOREIGN TRADE DOWN CONSIDERABLY IN MAY:

	WORLD	U.S.
MILLIONS SF (PCT. CHANGE OVER SAME PERIOD 1974)		

MAY		
IMPORTS	2,678 (-030.4)	201 (-16.3)
EXPORTS	2,620 (-18.6)	156 (-30.0)
JAN-MAY	WORLD	U.S.
IMPORTS	14,958 (-18.6)	1,237 (0.0)
EXPORTS	13,382 (-8.8)	766 (-20.2)

9. NUMBERED ACCOUNTS, IN RECENT PRESS INTERVIEW, SNB GENERAL MANAGER SCHURMANN SAID SNB STUDYING POSSIBILITY

OF ELIMINATING NUMBERED BANK ACCOUNTS AS MEASURE TO REDUCE CAPITAL INFLOWS AND THEREBY EASE UPWARD PRESSURE ON SF. IN SUBSEQUENT JOINT PRESS RELEASE, THREE LARGEST BANKS INDICATED THEIR OPPOSITION. PRESIDENT GRABER SUBSEQUENTLY IN TELEVISION INTERVIEW SAID HE FAVORED REVISION OF BANKING LAW AND THAT FEDERAL COUNCIL WOULD SOON DISCUSS (EXCESSES" OF BANK SECRECY. (SEE ALSO BERN 2563). COMMENT: IT DOUBTFUL ELIMINATION NUMBERED ACCOUNTS ALONE WOULD SIGNIFICANTLY REDUCE CAPITAL INFLOWS, ALTHOUGH IT COULD HAVE EFFECT OF MODIFYING IMAGE OF SWITZERLAND AS HAVEN FOR ILLEGAL FUNDS. BANK OPPOSITION TO CHANGING ADMINISTRATIVE PRACTICE OF NUMBERED ACCOUNTS WILL BE EVEN STRONGER IF PROPOSALS SHOULD BE PUT FORWARD TO WEAKEN SECRECY PROVISIONS.
DOMINICK

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BERN02592
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750219-1094
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750619/aaaaaqrd.tel
Line Count: 184
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 146787
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <11 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS ECONOMIC DEVELOPMENTS - WEEK ENDING JUNE 22
TAGS: ECON, EFIN, SZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006